

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Ovid	County Clinton
Fiscal Year End 12/31/06	Opinion Date 3/16/07	Date Audit Report Submitted to State 4/10/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES

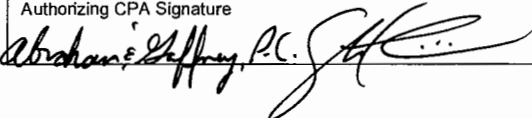
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Rd. Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Steve Kirinovic	License Number 1101022020	

**Village of Ovid
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2006

Village of Ovid
Clinton County, Michigan

December 31, 2006

VILLAGE COUNCIL AND ADMINISTRATION

Mr. William Lasher	President
Mr. Marcus Tew	President Pro-Tem, Trustee
Mr. Gerald Meredith	Trustee
Mr. Arthur Price, Jr.	Trustee
Mr. Charles Moore	Trustee
Mr. Larry Ordiway	Trustee
Ms. Ofelia Padilla	Trustee
Ms. Josefina Medina	Clerk
Ms. Cindy Fruchey	Treasurer

Village of Ovid
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ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Ovid
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village of Ovid, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Ovid's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village of Ovid, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ovid's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 16, 2007

Village of Ovid
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Village of Ovid's (the Village's) financial performance and position, providing an overview of the activities for the year ended December 31, 2006. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Village's financial statements, which follow this section. 2006 represents the third year the Village has reported under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. This discussion and analysis provides comparisons with the previous year.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$4,530,443 (excluding component units).
- Governmental activities net assets were \$1,330,884.
- Business-type activity net assets were \$3,199,559.
- Component Unit net assets were \$143,541.

Fund Level:

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$516,606 with all of it not being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$33,649 less in revenues than anticipated for the fiscal year. The General Fund operations and other financing uses expended \$15,096 less than appropriated.
- Overall, the General Fund balance decreased by \$24,249 to \$446,593 with all of it being undesignated and available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued no new debt issues for the year.
- The total long-term debt for the primary government was \$185,274 with a net reduction of \$53,847 from the prior year.
- The Village remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$576,060 and included sewer equipment, resurfacing of certain roads, an advanced warning system, significant additions to the water system, and other items.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

Village of Ovid

Management's Discussion and Analysis

Government-wide Financial Statements (Reporting the Village as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village's net assets changed during 2006. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village wide elected official operations are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.
- ***Discretely Presented Component Unit*** - Discretely Presented Component units are legally separate organizations for which the Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village. One organization is included as a discretely presented component unit: the Downtown Development Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

Village of Ovid

Management's Discussion and Analysis

- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the Village's Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Ovid include the General Fund, the Major Street and Local Street Funds, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Village includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund.

Village of Ovid

Management's Discussion and Analysis

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 10 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements. Also presented in this section is additional financial information related to the discretely presented component unit (DDA).

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

As previously stated, Village of Ovid's combined net assets were \$4,530,443 at the end of this year's operations. The net assets of the governmental activities were \$1,330,884; the business-type activities were \$3,199,559.

Summary of Net Assets:

The following summarizes the net assets as of December 31, 2006.

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Assets						
Current and other assets	\$623,720	\$527,386	\$590,981	\$831,172	\$1,214,701	\$1,358,558
Capital assets	802,395	834,552	2,563,845	2,930,716	3,366,240	3,765,268
Total assets	1,426,115	1,361,938	3,154,826	3,761,888	4,580,941	5,123,826
Liabilities						
Current	21,428	18,330	55,132	406,896	76,560	425,226
Noncurrent	13,279	12,724	201,395	155,433	214,674	168,157
Total liabilities	34,707	31,054	256,527	562,329	291,234	593,383
Net Assets						
Invested in capital assets-						
net of related debt	802,395	834,552	2,348,845	2,765,716	3,151,240	3,600,268
Restricted	131,444	63,192	191,889	183,540	323,333	246,732
Unrestricted	457,569	433,140	357,565	250,303	815,134	683,443
Total net assets	<u>\$1,391,408</u>	<u>\$1,330,884</u>	<u>\$2,898,299</u>	<u>\$3,199,559</u>	<u>\$4,289,707</u>	<u>\$4,530,443</u>

Village of Ovid

Management's Discussion and Analysis

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's primary government net assets changed during the fiscal year:

Changes in Net Assets for the Fiscal Year Ending December 31, 2006

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues						
Program revenue:						
Charges for services	\$ 39,659	\$ 37,490	\$ 265,650	\$ 260,363	\$ 305,309	\$ 297,853
Operating grants and contributions	114,710	112,167	-	-	114,710	112,167
Capital grants and contributions	-	-	-	299,714	-	299,714
General revenues:						
Property taxes	340,991	353,660	-	-	340,991	353,660
State Revenue Sharing	153,707	151,279	-	-	153,707	151,279
Investment earnings	11,239	15,063	10,901	7,723	22,140	22,786
Miscellaneous	21,388	11,648	13,190	17,102	34,578	28,750
Total revenues	681,694	681,307	289,741	584,902	971,435	1,266,209
Expenses						
General government	223,615	206,129	-	-	223,615	206,129
Public safety	243,220	209,909	-	-	243,220	209,909
Public works	271,666	286,852	-	-	271,666	286,852
Community and economic development	4,035	4,012	-	-	4,035	4,012
Recreation and cultural	40,520	34,929	-	-	40,520	34,929
Sewer	-	-	132,604	129,652	132,604	129,652
Water	-	-	147,813	153,990	147,813	153,990
Total expenses	783,056	741,831	280,417	283,642	1,063,473	1,025,473
Change in net assets	(101,362)	(60,524)	9,324	301,260	(92,038)	240,736
Net assets, beginning of year	1,492,770	1,391,408	2,888,975	2,898,299	4,381,745	4,289,707
Net assets, end of year	\$ 1,391,408	\$ 1,330,884	\$ 2,898,299	\$ 3,199,559	\$ 4,289,707	\$ 4,530,443

Governmental Activities:

The result of 2006 governmental activity was a decrease of \$60,524 in net assets to \$1,330,884. Of the total governmental activities' net assets, \$834,552 is invested in capital assets less related debt. \$63,192 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$433,140 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 52%, State shared revenue at 22%, and operating grants and contributions at 16%. The Village levied two property tax millages for the year ended December 31, 2006, one being for general government operations at 11.8397 mills, which is not assigned to any particular activity, and one for garbage collection at .7118 mills. The second largest was State funding through the State revenue sharing program. The third largest was operating grants received through the State of Michigan, mainly for street activities through Act 51 funding.

Village of Ovid

Management's Discussion and Analysis

Expenses:

Public works is the largest activity, expending approximately 39% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 28% of the governmental activities total on police protection.

Business-type Activities:

Net assets in business-type activities increased by \$301,260 during 2006. Of the business-type activities' net assets, \$2,765,716 is invested in capital assets less related debt, \$183,540 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$250,303 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR AND NONMAJOR FUNDS

As the Village completed 2006, its governmental funds reported *combined* fund balances of \$516,606. This is a net decrease of \$96,528. The net changes are summarized in the following chart:

	General Fund	Major Street	Local Street	Nonmajor Governmental Funds
Fund Balance 12/31/05	\$ 470,842	\$ 48,096	\$ 83,348	\$ 10,848
Fund Balance 12/31/06	\$ 446,593	\$ 15,625	\$ 47,567	\$ 6,821
Net Change	\$ (24,249)	\$ (32,471)	\$ (35,781)	\$ (4,027)

General Fund:

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of December 31, 2006, the General Fund reported a fund balance of \$446,593. This amount is a decrease of \$24,249 from the fund balance of \$470,842 reported as of December 31, 2005. The 2006 original budget called for a \$1,195 use of fund balance but, due mainly to less revenues coming in than anticipated, the Village used more fund balance than originally planned.

The General Fund 2006 expenditures and other financing uses exceeded 2006 revenues by \$24,249.

General Fund Budgetary Highlights:

The Village of Ovid's budget is a dynamic document. Although adopted prior to January 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$572,639, \$33,650 less than the final amended budget. The final amended and original budgets were the same and were only approximately 5% different than final actual.

Village of Ovid

Management's Discussion and Analysis

The Village's expenditure budget was increased by \$4,500 (less than 1% above the original budget) during 2006. The majority of this increase (\$3,500) was for additional costs of parks and recreation.

Actual Village expenditures for 2006 were \$15,096 under budget. General Fund actual expenditures came in at \$596,888 and the final budgeted amount was \$611,984, which was only a 2% difference.

Major Street Fund:

As of December 31, 2006, the Major Street Fund reported a fund balance of \$15,625, a decrease of \$32,471 from the prior year. There were no material changes noted between the original and final amended budgeted revenues or expenditures. Actual revenues were down compared to budget as State gas and weight tax revenues came in less than anticipated (\$8,769) and the fund expended \$6,750 more than was budgeted mainly due to a significant resurfacing project done on certain streets.

Local Street Fund:

As of December 31, 2006, the Local Street Fund reported a fund balance of \$47,567, a decrease of \$35,781 from the prior year. There were no material changes noted between the original and final amended budgeted revenues or expenditures. Actual revenues were down compared to budget as State gas and weight tax revenues came in less than anticipated. There were also no material differences between final amended expenditures and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of year 2006, the Village had invested \$3,765,268, and \$25,675 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$3,161,644 for the primary government. Depreciation charges for the fiscal year totaled \$177,548 for the primary government. Additional information related to capital assets is detailed in Note G of the Financial Statements. Net book value of capital assets at December 31, 2006 was as follows:

	Governmental Activities	Business- type Activities	Component Unit DDA	Total
Land	\$ 2,249	\$ 134,322	\$ 25,675	\$ 162,246
Construction in progress	-	413,628	-	413,628
Land improvements, net	85,070	-	-	85,070
Buildings, net	194,195	-	-	194,195
Furniture and equipment, net	132,969	100,746	-	233,715
Vehicles, net	68,352	-	-	68,352
Water and sewer systems, net	-	2,282,020	-	2,282,020
Infrastructure, net	351,717	-	-	351,717
Capital assets, net	\$ 834,552	\$2,930,716	\$ 25,675	\$ 3,790,943

Village of Ovid

Management's Discussion and Analysis

Long-term Debt - As of December 31, 2006, the Village had \$185,274 in debt outstanding for the primary government. This level of net obligation is \$53,847 less than the obligation recorded as of December 31, 2005.

Outstanding Debt as of December 31, 2006:

Primary Government	<u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2006</u>
Governmental Activities				
Compensated absences	\$ 24,121	\$ -	\$ 3,847	\$ 20,274
Business-type Activities				
Refunding Bonds	<u>215,000</u>	<u>-</u>	<u>50,000</u>	<u>165,000</u>
Total Reporting Entity	<u>\$ 239,121</u>	<u>\$ -0-</u>	<u>\$ 53,847</u>	<u>\$ 185,274</u>

A more detailed discussion of the Village's long-term debt obligations is presented in Note H to the financial statements.

VILLAGE OF OVID GOVERNMENT ECONOMIC OUTLOOK:

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been affected and any further cuts would affect the services that we provide to the citizens of the Village of Ovid.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past several years.
- Health insurance premiums continue to rise much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These and many other factors were considered in adopting the Budget for 2007. The Village is budgeting for a slight addition, \$658, to fund balance in 2007 but any minor changes to the negative related to any of the factors above could easily change that situation to a usage of fund balance in the coming year. The Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE VILLAGE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Village offices at (989) 834-5550.

BASIC FINANCIAL STATEMENTS

Village of Ovid

STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current				
Cash and cash equivalents	\$ 448,844	\$ 311,962	\$ 760,806	\$ 55,638
Receivables	744	23,074	23,818	58,780
Internal balances	43,066	(43,066)	-0-	-
Due from other governmental units	34,732	299,714	334,446	-
Total current assets	527,386	591,684	1,119,070	114,418
Noncurrent				
Cash and cash equivalents				
- restricted	-	236,828	236,828	3,448
Unamortized expense	-	2,660	2,660	-
Capital assets not being depreciated	2,249	547,950	550,199	25,675
Capital assets, net of accumulated depreciation	832,303	2,382,766	3,215,069	-
Total noncurrent assets	834,552	3,170,204	4,004,756	29,123
TOTAL ASSETS	1,361,938	3,761,888	5,123,826	143,541
LIABILITIES				
Current				
Accounts payable	5,897	354,234	360,131	-
Accrued liabilities	4,883	1,336	6,219	-
Accrued interest payable	-	1,326	1,326	-
Current portion of compensated absences	7,550	-	7,550	-
Current portion of long-term debt	-	50,000	50,000	-
Total current liabilities	18,330	406,896	425,226	-0-
Noncurrent				
Payable from restricted cash - customer deposits	-	40,433	40,433	-
Compensated absences	12,724	-	12,724	-
Revenue bonds payable	-	115,000	115,000	-
Total noncurrent liabilities	12,724	155,433	168,157	-0-
TOTAL LIABILITIES	31,054	562,329	593,383	-0-
NET ASSETS				
Invested in capital assets, net of related debt	834,552	2,765,716	3,600,268	-
Restricted for streets	63,192	-	63,192	-
Restricted for debt retirement	-	183,540	183,540	3,448
Unrestricted	433,140	250,303	683,443	140,093
TOTAL NET ASSETS	\$ 1,330,884	\$ 3,199,559	\$ 4,530,443	\$ 143,541

See accompanying notes to financial statements.

VILLAGE OF OVID
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit (DDA)
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 206,129	\$ 10,586	\$ -	\$ -	\$ (195,543)	\$ -	\$ (195,543)	\$ -
Public safety	209,909	878	1,809	-	(207,222)	-	(207,222)	-
Public works	286,852	25,793	103,858	-	(157,201)	-	(157,201)	-
Community and economic development	4,012	233	-	-	(3,779)	-	(3,779)	-
Recreation and cultural	34,929	-	6,500	-	(28,429)	-	(28,429)	-
Total governmental activities	741,831	37,490	112,167	-0-	(592,174)	-0-	(592,174)	-0-
Business-type activities:								
Sewer	129,652	164,713	-	-	-	35,061	35,061	-
Water	153,990	95,650	-	299,714	-	241,374	241,374	-
Total business-type activities	283,642	260,363	-0-	299,714	-0-	276,435	276,435	-0-
Total primary government	<u>\$ 1,025,473</u>	<u>\$ 297,853</u>	<u>\$ 112,167</u>	<u>\$ 299,714</u>	(592,174)	276,435	(315,739)	-0-
Component unit:								
Downtown Development Authority	<u>\$ 17,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-0-	-0-	-0-	(17,065)
General revenues:								
Property taxes					353,660	-	353,660	-
State shared revenue					151,279	-	151,279	-
Investment earnings					15,063	7,723	22,786	1,067
Miscellaneous					11,648	17,102	28,750	2,991
Total general revenues					531,650	24,825	556,475	4,058
Change in net assets					(60,524)	301,260	240,736	(13,007)
Net assets, beginning of the year					1,391,408	2,898,299	4,289,707	156,548
Net assets, end of the year					\$ 1,330,884	\$ 3,199,559	\$ 4,530,443	\$ 143,541

See accompanying notes to financial statements.

Village of Ovid

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2006

	General	Major Street	Local Street
ASSETS			
Cash and cash equivalents	\$ 372,492	\$ 28,161	\$ 41,370
Accounts receivable	744	-	-
Due from other funds	60,863	-	4,239
Due from other governmental units	26,844	5,773	2,115
TOTAL ASSETS	\$ 460,943	\$ 33,934	\$ 47,724
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Payables			
Accounts	\$ 5,805	\$ 92	\$ -
Wages	4,306	420	157
Due to other funds	4,239	17,797	-
TOTAL LIABILITIES	14,350	18,309	157
FUND BALANCE			
Fund balance			
Unreserved			
Undesignated	446,593	15,625	47,567
TOTAL FUND BALANCE	446,593	15,625	47,567
TOTAL LIABILITIES AND FUND BALANCE	\$ 460,943	\$ 33,934	\$ 47,724

See accompanying notes to financial statements.

Nonmajor Governmental Fund (Parks and Recreation)	Total Governmental Funds
\$ 6,821	\$ 448,844
-	744
-	65,102
-	34,732
<u>\$ 6,821</u>	<u>\$ 549,422</u>

\$ -	\$ 5,897
-	4,883
-	22,036
-0-	32,816

<u>6,821</u>	<u>516,606</u>
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<u>6,821</u>	<u>516,606</u>
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<u>\$ 6,821</u>	<u>\$ 549,422</u>
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Village of Ovid

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2006

Total fund balance - governmental funds \$ 516,606

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,399,137	
Accumulated depreciation is	<u>(1,564,585)</u>	
Capital assets, net		834,552

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Compensated absences	<u>(20,274)</u>
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Net assets of governmental activities \$ 1,330,884

See accompanying notes to financial statements.

Village of Ovid

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Major Street	Local Street
REVENUES			
Taxes	\$ 353,660	\$ -	\$ -
Licenses and permits	233	-	-
Intergovernmental	158,018	71,617	26,250
Charges for services	9,551	-	-
Interest and rents	38,431	2,503	799
Other	12,746	-	-
TOTAL REVENUES	572,639	74,120	27,049
EXPENDITURES			
General government	202,497	-	-
Public safety	210,244	-	-
Public works	141,225	87,128	82,293
Community and economic development	4,012	-	-
Recreation and cultural	38,910	-	-
TOTAL EXPENDITURES	596,888	87,128	82,293
EXCESS OF REVENUES (UNDER) EXPENDITURES	(24,249)	(13,008)	(55,244)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	19,463
Transfers out	-	(19,463)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(19,463)	19,463
NET CHANGE IN FUND BALANCES	(24,249)	(32,471)	(35,781)
Fund balances, beginning of year	470,842	48,096	83,348
Fund balances, end of year	\$ 446,593	\$ 15,625	\$ 47,567

See accompanying notes to financial statements.

Nonmajor Governmental Fund (Parks and Recreation)	Total Governmental Funds
\$ -	\$ 353,660
-	233
-	255,885
-	9,551
1,000	42,733
6,500	19,246
<u>7,500</u>	<u>681,308</u>
-	202,497
-	210,244
-	310,646
-	4,012
11,527	50,437
<u>11,527</u>	<u>777,836</u>
(4,027)	(96,528)
-	19,463
-	(19,463)
<u>-0-</u>	<u>-0-</u>
(4,027)	(96,528)
10,848	613,134
<u>\$ 6,821</u>	<u>\$ 516,606</u>

Village of Ovid

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Net change in fund balances - total governmental funds \$ (96,528)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 110,910	
Depreciation expense	<u>(78,753)</u>	
Excess of capital outlay over depreciation expense		32,157

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued compensated absences	<u>3,847</u>
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Change in net assets of governmental activities \$ (60,524)

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Business-type Activities		
	Sewer System	Water System	Total
ASSETS			
Current assets			
Cash	\$ 182,818	\$ 129,144	\$ 311,962
Accounts receivable	14,676	8,398	23,074
Due from other governmental units	-	299,714	299,714
Total current assets	197,494	437,256	634,750
Noncurrent assets			
Cash - restricted	218,123	18,705	236,828
Unamortized expense	2,660	-	2,660
Capital assets not being depreciated	76,800	471,150	547,950
Capital assets, net	941,208	1,441,558	2,382,766
Total other assets	1,238,791	1,931,413	3,170,204
TOTAL ASSETS	1,436,285	2,368,669	3,804,954
LIABILITIES			
Current liabilities			
Accounts payable	655	353,579	354,234
Accrued liabilities	753	583	1,336
Due to other funds	13,651	29,415	43,066
Accrued interest payable	1,326	-	1,326
Current portion of long-term debt	50,000	-	50,000
Total current liabilities	66,385	383,577	449,962
Noncurrent liabilities			
Payable from restricted cash - customer deposits payable	21,728	18,705	40,433
Revenue bonds payable	115,000	-	115,000
Total noncurrent liabilities	136,728	18,705	155,433
TOTAL LIABILITIES	203,113	402,282	605,395
NET ASSETS			
Invested in capital assets, net of related debt	853,008	1,912,708	2,765,716
Restricted for debt retirement	183,540	-	183,540
Unrestricted	196,624	53,679	250,303
TOTAL NET ASSETS	\$ 1,233,172	\$ 1,966,387	\$ 3,199,559

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Business-type Activities		
	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services			
Usage fees	\$ 163,213	\$ 94,150	\$ 257,363
Tap in fees	1,500	1,500	3,000
Other	-	17,102	17,102
TOTAL OPERATING REVENUES	164,713	112,752	277,465
OPERATING EXPENSES			
Salaries and wages	22,853	34,781	57,634
Fringe benefits	8,586	13,447	22,033
Administrative charge	5,200	3,000	8,200
Contractual services	11,703	7,740	19,443
Supplies	2,270	4,150	6,420
Utilities	3,829	16,119	19,948
Training	463	1,329	1,792
Insurance	4,000	4,900	8,900
Repairs and maintenance	6,571	9,533	16,104
Equipment rental	7,361	5,796	13,157
Other	1,287	1,191	2,478
Depreciation	46,791	52,004	98,795
TOTAL OPERATING EXPENSES	120,914	153,990	274,904
OPERATING INCOME (LOSS)	43,799	(41,238)	2,561
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	-	299,714	299,714
Interest revenue	5,446	2,277	7,723
Interest expense	(8,738)	-	(8,738)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,292)	301,991	298,699
CHANGE IN NET ASSETS	40,507	260,753	301,260
Net assets, beginning of year	1,192,665	1,705,634	2,898,299
Net assets, end of year	\$ 1,233,172	\$ 1,966,387	\$ 3,199,559

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Business-type Activities		
	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 167,756	\$ 113,809	\$ 281,565
Cash receipts from other funds	1,655	3,717	5,372
Cash paid to suppliers	(41,727)	(2,361)	(44,088)
Cash paid for employee benefits	(8,586)	(13,447)	(22,033)
Cash paid to employees	(22,404)	(34,648)	(57,052)
NET CASH PROVIDED BY OPERATING ACTIVITIES	96,694	67,070	163,764
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental	-	299,714	299,714
Capital purchases	(51,522)	(414,144)	(465,666)
Interest expense	(8,738)	-	(8,738)
Payments of borrowing	(50,000)	-	(50,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(110,260)	(114,430)	(224,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	5,446	2,277	7,723
NET (DECREASE) IN CASH DURING YEAR	(8,120)	(45,083)	(53,203)
Cash, beginning of year	409,061	192,932	601,993
Cash, end of year	<u>\$ 400,941</u>	<u>\$ 147,849</u>	<u>\$ 548,790</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 43,799	\$ (41,238)	\$ 2,561
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	46,791	52,004	98,795
Decrease in receivables	-	62	62
(Increase) in due from other governmental units	-	(299,714)	(299,714)
Decrease in unamortized expenses	886	-	886
Increase in due to other funds	1,655	3,717	5,372
Increase in accounts payable	463	351,111	351,574
Increase in accrued liabilities	449	133	582
(Decrease) in accrued interest payable	(392)	-	(392)
Increase in customer deposits	3,043	995	4,038
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 96,694	\$ 67,070	\$ 163,764

See accompanying notes to financial statements.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Ovid is located in Clinton County, Michigan and has a population of approximately 1,500. The Village of Ovid operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The Village Council is made up of the Village President and six (6) trustees who are elected at large for overlapping four (4) year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Ovid (primary government) and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

2. Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the Village's component unit (Downtown Development Authority). The governing body of the Downtown Development Authority is appointed by the Village Council and the Authority's budget is subject to the approval of the Village Council.

3. Jointly Governed Organizations

The Village participates in the following activities which are considered to be jointly governed organizations in relation to the Village, due to there being no ongoing financial interest or responsibility:

Ovid-Middlebury Emergency Services Authority - The Village of Ovid, in conjunction with the Townships of Ovid and Middlebury, has entered into an agreement which created the Ovid-Middlebury Emergency Services Authority. The Ovid-Middlebury Emergency Services Authority board is composed of one (1) member appointed by the Village and three (3) members appointed by each of the Townships. The Village has no financial responsibility to the Authority.

Ovid Public Library - Under Public Act 24 of 1989, the Village of Ovid, in conjunction with the Townships of Ovid and Middlebury, created the Ovid Public Library, which is considered a District Library. The Ovid Public Library board is composed of two (2) members appointed by each of the three municipalities. The Townships collect and distribute property taxes that are levied by the Library. The Village has no financial responsibility to the Library.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's local streets.
- d. The Sewer Fund accounts for resources generated by providing sewer services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- e. The Water Fund accounts for resources generated by providing water services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to January 1, the Village Budget Committee submits their proposed operating budgets for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure (i.e., fund) level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council during the year. Individual amendments were appropriately approved by the Village Council in accordance with required procedures.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash and Cash Equivalents

Cash equivalents are temporary investments that consist of various money market checking accounts. The cash and cash equivalents are recorded at market value.

9. Restricted Cash

A portion of the cash and cash equivalents of the Sewer System and Water System Funds are classified as restricted cash because their use is limited. The Sewer System Fund's restrictions are due to bond resolution requirements to maintain certain balances in separate accounts for debt service and general purpose reserves, and also for the amount of customer deposits held at December 31, 2006. The Water System Fund's restriction is due to the amount of customer deposits held at December 31, 2006.

10. Contracts Receivable

The Downtown Development Authority (component unit) has loaned amounts to certain individuals and organizations that are payable over a long-term payment schedule. These amounts have been recorded as receivables with corresponding deferred revenue. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

11. Property Tax

The Village of Ovid bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Ovid on July 1 and are payable without penalty through September 15. All real property taxes not paid to the Village by September 15 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services and up to an additional 3 mills (\$3 per \$1,000 of assessed valuation) for garbage collection and disposal. For the year ended December 31, 2006, the Village levied 11.8397 mills for general governmental services and .7118 mills for garbage collection and disposal.

12. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund records charges for equipment rental and administrative costs to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses.

13. Compensated Absences

Accumulated vacation and sick pay amounts of Village employees are vested (i.e., are payable at termination) according to Village personnel guidelines. This liability, along with the related payroll taxes, is recorded in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Village of Ovid has capitalized all applicable infrastructure that met the reporting criteria, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Sewer and Water systems and improvements	5 - 40 years
Equipment and machinery	5 - 30 years
Buildings	50 years
Vehicles	4 - 20 years
Infrastructure	20 years

15. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of December 31, 2006, the carrying amount of the Village's deposits were \$1,056,720 and the bank balance was \$1,086,432 of which \$303,448 was covered by federal depository insurance. The remaining balance of \$782,984 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2006, the Village did not have any investments that would be subject to rating.

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption on the Statement of Net Assets, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2006:

	Primary Government	Component Unit	Reporting Entity
Cash and cash equivalents	\$ 760,806	\$ 55,638	\$ 816,444
Cash and cash equivalents - restricted	<u>236,828</u>	<u>3,448</u>	<u>240,276</u>
	<u>\$ 997,634</u>	<u>\$ 59,086</u>	<u>\$ 1,056,720</u>

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of December 31, 2006:

	Customer Deposits	Debt Retirement	Total
Cash and cash equivalents			
Enterprise Funds	\$ 40,433	\$ 196,395	\$ 236,828
Component Unit Funds	<u>-</u>	<u>3,448</u>	<u>3,448</u>
	<u>\$ 40,433</u>	<u>\$ 199,843</u>	<u>\$ 240,276</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at December 31, 2006:

Due to General fund from:	
Major Street Fund	\$ 17,797
Sewer Fund	13,651
Water Fund	<u>29,415</u>
	<u>\$ 60,863</u>
Due to Local Street fund from:	
General Fund	<u>\$ 4,239</u>

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component unit have been eliminated.

Transfers to Local Street fund from:	
Major Street Fund	<u>\$ 19,463</u>

NOTE F: COMPONENT UNIT LONG-TERM CONTRACTS RECEIVABLE

The Village has one (1) loan outstanding to an organization made through the Downtown Development Authority (component unit) Special Revenue Fund. The amounts attributable to this long-term contract receivable have been recorded in the Downtown Development Authority (component unit) Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village. This contract balloons in 2007 but it is expected that it will be renegotiated for a longer term next year.

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$ 58,780</u>	<u>\$ 1,754</u>	<u>\$ 60,534</u>

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

PRIMARY GOVERNMENT

	<u>Balance Jan. 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2006</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,249	\$ -	\$ -	\$ 2,249
Construction in progress	<u>17,819</u>	<u>-</u>	<u>(17,819)</u>	<u>-0-</u>
Subtotal	20,068	-0-	(17,819)	2,249
Capital assets being depreciated				
Land improvements	109,000	33,597	-	142,597
Buildings	413,500	17,819	-	431,319
Furniture and equipment	305,060	-	-	305,060
Vehicles	193,144	2,375	-	195,519
Infrastructure	<u>1,247,455</u>	<u>74,938</u>	<u>-</u>	<u>1,322,393</u>
Subtotal	2,268,159	128,729	-0-	2,396,888

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Governmental activities - Continued				
Less accumulated depreciation for:				
Land improvements	\$(51,000)	\$(6,527)	\$ -	\$(57,527)
Buildings	(228,874)	(8,250)	-	(237,124)
Furniture and equipment	(157,329)	(14,762)	-	(172,091)
Vehicles	(108,227)	(18,940)	-	(127,167)
Infrastructure	(940,402)	(30,274)	-	(970,676)
Subtotal	(1,485,832)	(78,753)	(-0-)	(1,564,585)
Net capital assets being depreciated	782,327	49,976	-0-	832,303
Total Net Capital Assets	\$ 802,395	\$ 49,976	\$(17,819)	\$ 834,552

Depreciation expense was charged to activities of the following governmental activities:

General government	\$ 3,632
Public safety	18,359
Public works	55,151
Recreation and cultural	1,611
Total depreciation expense	\$ 78,753

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Business-type activities				
Capital assets not being depreciated				
Land	\$ 134,322	\$ -	\$ -	\$ 134,322
Construction in Progress	-	413,628	-	413,628
Subtotal	134,322	413,628	-0-	547,950
Capital assets being depreciated				
Buildings	115,681	-	-	115,681
Systems	3,691,629	-	-	3,691,629
Equipment	120,993	51,522	-	172,515
Subtotal	3,928,303	51,522	-0-	3,979,825
Less accumulated depreciation for:				
Buildings	(115,681)	-	-	(115,681)
Systems	(1,318,423)	(91,702)	516	(1,409,609)
Equipment	(64,676)	(7,093)	-	(71,769)
Subtotal	(1,498,780)	(98,795)	516	(1,597,059)
Total capital assets being depreciated	2,429,523	(47,273)	516	2,382,766
Total net capital assets	\$ 2,563,845	\$(366,355)	\$ 516	\$ 2,930,716

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNIT

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 25,675	\$ -	\$ -	\$ 25,675

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Compensated absences	\$ 24,121	\$ -	\$ 3,847	\$ 20,274	\$ 7,550
Business-type activities					
Sewer System Fund					
1997C Refunding Bonds	215,000	-	50,000	165,000	50,000
Total Primary Government	\$ 239,121	\$ -0-	\$ 53,847	\$ 185,274	\$ 57,550

In 1997 the Village entered into an agreement with the Michigan Municipal Bond Authority to refund the 1989 Sewer Revenue Bonds and replace them with the 1997C Refunding Bonds. The refunding of the bonds did not change the Village's principal amounts due or the timing or duration of the payments but provided a better interest rate on the outstanding bonds. This resulted in a reduction in future interest payments by \$43,372.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Sanitary Sewer System Refunding Bonds

\$495,000 Sewer Refunding Bonds dated October 16, 1997, due in annual installments ranging from \$50,000 to \$60,000 through May 1, 2009, with interest of 7.20 percent, payable semi-annually. \$ 165,000

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2007	\$ 50,000	\$ 10,080	\$ 60,080
2008	55,000	6,300	61,300
2009	60,000	2,160	62,160
	<u>\$ 165,000</u>	<u>\$ 18,540</u>	<u>\$ 183,540</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE H: LONG-TERM DEBT-CONTINUED

Compensated Absences – accrued vacation and sick leave

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave. The dollar amounts, including related payroll taxes, of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$20,274 at December 31, 2006.

NOTE I: DEFERRED COMPENSATION PLAN

The Village of Ovid offers its employees a deferred compensation plan sponsored by Prudential Insurance Company of America, which was created in accordance with IRS Section #457. The plan, available to all full-time employees, permits them to defer a portion of their current salary until future years. In addition, after completion of ninety (90) days of employment, the Village will match employee contributions, up to 5% of current salary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Elected officials are not eligible to participate. For the year ended December 31, 2006, the Village contributed \$8,990 to the plan and employees contributed \$10,637.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are held in trust, with the Village serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted to any other purpose. All provisions of the plan, and the trust are in conformance with Internal Revenue Code Section 457.

The plan's funds are excluded from the financial statements in conformance with the reporting and disclosure requirements in GASB Statement Number 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the combined financial statements, the Village's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended December 31, 2006, the Village incurred expenditures in the General and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General Government			
Legislative	\$ 16,255	\$ 17,264	\$ 1,009
Equipment rental	34,402	38,536	4,134
Major Street Fund	100,378	106,591	6,213
Parks and Recreation Fund	7,000	11,527	4,527

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE K: FUND EQUITY RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following is the fund balance reserve as of December 31, 2006:

Fund Balance

COMPONENT UNIT

Special Revenue - Downtown Development Fund
Reserved for debt retirement

\$ 3,448

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source (bond ordinance, etc.) which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2006:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Public works

Streets and highways

\$ 63,192

Business-type activities

Restricted for debt service

\$ 183,540

Component Units (DDA)

Restricted for debt service

\$ 3,448

NOTE M: RISK MANAGEMENT

The Village participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, law enforcement, auto, crime, in-land marine, boiler, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE N: BUILDING AND ZONING FINANCIAL INFORMATION

The Village elected to report the financial activities of the building and zoning activity in the general fund. The following is the required information as it relates to this activity for the year ended December 31, 2006:

REVENUES	
Building Permits	\$ 233
EXPENDITURES	
Salary and fringes	1,550
Contracted services	2,000
Publications and notices	<u>272</u>
TOTAL EXPENDITURES	<u>3,822</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (3,589)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 379,967	\$ 379,967	\$ 353,660	\$ (26,307)
Licenses and permits	250	250	233	(17)
Intergovernmental	161,110	161,110	158,018	(3,092)
Charges for services	9,312	9,312	9,551	239
Interest and rents	49,500	49,500	38,431	(11,069)
Other	6,150	6,150	12,746	6,596
TOTAL REVENUES	606,289	606,289	572,639	(33,650)
EXPENDITURES				
General government				
Legislative	16,255	16,255	17,264	(1,009)
Executive	10,750	10,750	9,830	920
Election	1,750	1,750	809	941
Financial administration	114,891	114,891	110,959	3,932
Hall and grounds	28,993	28,993	25,099	3,894
Equipment rental	34,402	34,402	38,536	(4,134)
Total general government	207,041	207,041	202,497	4,544
Public safety				
Police department	211,195	211,195	210,244	951
Public works	144,352	145,352	141,225	4,127
Community and economic development				
Planning/zoning commission	5,950	5,950	4,012	1,938
Recreation and cultural				
Parks and recreation	30,146	33,646	32,028	1,618
Community promotion	8,800	8,800	6,882	1,918
Total recreation and cultural	38,946	42,446	38,910	3,536
TOTAL EXPENDITURES	607,484	611,984	596,888	15,096
NET CHANGE IN FUND BALANCE	(1,195)	(5,695)	(24,249)	(18,554)
Fund balance, beginning of year	470,842	470,842	470,842	-0-
Fund balance, end of year	\$ 469,647	\$ 465,147	\$ 446,593	\$ (18,554)

Village of Ovid

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental -State				
Gas and weight tax	\$ 78,386	\$ 80,386	\$ 71,617	\$ (8,769)
Interest	2,000	2,000	2,503	503
TOTAL REVENUES	80,386	82,386	74,120	(8,266)
EXPENDITURES				
Public works	80,378	80,378	87,128	(6,750)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8	2,008	(13,008)	(15,016)
OTHER FINANCING (USES)				
Transfers out	(20,000)	(20,000)	(19,463)	537
NET CHANGE IN FUND BALANCE	(19,992)	(17,992)	(32,471)	(14,479)
Fund balance, beginning of year	48,096	48,096	48,096	-0-
Fund balance, end of year	<u>\$ 28,104</u>	<u>\$ 30,104</u>	<u>\$ 15,625</u>	<u>\$ (14,479)</u>

Village of Ovid

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental -State				
Gas and weight tax	\$ 29,476	\$ 29,476	\$ 26,250	\$ (3,226)
Interest	675	675	799	124
TOTAL REVENUES	30,151	30,151	27,049	(3,102)
EXPENDITURES				
Public works	90,246	90,246	82,293	7,953
EXCESS OF REVENUES (UNDER) EXPENDITURES	(60,095)	(60,095)	(55,244)	4,851
OTHER FINANCING SOURCES				
Transfers in	20,096	20,096	19,463	(633)
NET CHANGE IN FUND BALANCE	(39,999)	(39,999)	(35,781)	4,218
Fund balance, beginning of year	83,348	83,348	83,348	-0-
Fund balance, end of year	<u>\$ 43,349</u>	<u>\$ 43,349</u>	<u>\$ 47,567</u>	<u>\$ 4,218</u>

OTHER SUPPLEMENTARY INFORMATION

Village of Ovid

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2006

	Special Revenue
ASSETS	
Cash	\$ 55,638
Cash - restricted	3,448
Contracts receivable	<u>58,780</u>
TOTAL ASSETS	<u><u>\$ 117,866</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred revenue	33,780
FUND BALANCE	
Reserved for debt retirement	3,448
Unreserved	
Undesignated	<u>80,638</u>
TOTAL FUND BALANCE	<u>84,086</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 117,866</u></u>

Village of Ovid

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2006

Fund balance - governmental fund	\$ 84,086
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets (land) used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	25,675
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Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	<u>33,780</u>
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Net assets of governmental activities	<u><u>\$ 143,541</u></u>
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Village of Ovid

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
- DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2006

	Special Revenue
REVENUES	
Interest	\$ 1,067
Other	<u>5,578</u>
TOTAL REVENUES	6,645
EXPENDITURES	
Community and economic development	<u>17,065</u>
NET CHANGE IN FUND BALANCE	(10,420)
Fund balance, beginning of year	<u>94,506</u>
Fund balance, end of year	<u><u>\$ 84,086</u></u>

Village of Ovid

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
- DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended September 30, 2006

Net change in fund balance **\$ (10,420)**

Amounts reported for governmental activities in the statement of activities are different because:

Loans to outside entities related to contracts receivable and subsequent collections of contracts receivable is reported as expenditures and revenues in governmental funds, but the subsequent collections reduces contracts receivable and the loans increase contracts receivable in the statement of net assets.

In the current year, these amounts consist of:

Contracts receivable - principal collections	<u>(2,587)</u>
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Change in net assets of governmental activities	<u><u>\$ (13,007)</u></u>
--	----------------------------------

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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REPORT ON INTERNAL CONTROL

To the Honorable President and
Members of the Village Council
Village of Ovid
Ovid, Michigan

In planning and performing our audit of the financial statements of the Village of Ovid as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Ovid's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

BUDGETS

As noted in the financial statements, some of the activities and funds of the Village exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds. A similar issue was noted and reported in our audit comments last year.

The Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Village monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

PREPARATION OF FINANCIAL STATEMENTS

During the course of our audit, it was noted employees and/or management do not possess the qualification to prepare the Village's annual audited financial statements and notes to the annual audited financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Village's annual audited financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the annual audited financial statements of financial position, results of operations, and cash flows, including the notes to annual audited financial statements, in conformity with accounting principles generally accepted in the United States of America. The auditor cannot be a part of the internal controls.

We recommend the Village consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of management and Members of the Village Council of the Village of Ovid, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 16, 2007